Today California's great diversity is reflected in our Congressional delegation, where our state is represented by people named BECERRA, and ROYBAL-ALLARD; FEINSTEIN, WAXMAN, and BERMAN; DIXON, WATERS, and LEE; PELOSI, GALLEGLY, and RADANOVICH; and FARR and MCKEON.

On Wednesday, September 13th, Representatives FARR and MCKEON will host a Sesquicentennial reception for Members of both Houses and both parties. I look forward to joining my California colleagues in celebrating our great state's proud history and bright future.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Wednesday, September 6, 2000, the Federal debt stood at $5,681,881,776,256.37, five trillion, six hundred eighty-one billion, eight hundred eighty-one million, seven hundred seventy-six thousand, two hundred fifty-six dollars and thirty-seven cents.

Five years ago, September 6, 1995, the Federal debt stood at $4,969,749,000,000, four trillion, nine hundred sixty-nine billion, seven hundred forty-nine million.

Ten years ago, September 6, 1990, the Federal debt stood at $3,243,845,000,000, three trillion, two hundred forty-three billion, eight hundred forty-five million.

Fifteen years ago, September 6, 1985, the Federal debt stood at $1,823,101,000,000, one trillion, eight hundred twenty-three billion, one hundred one million, which reflects a debt increase of almost $4 trillion—$3,858,780,776,256.37, three trillion, eight hundred fifty-eight billion, seven hundred eighty million, seven hundred seventy-six thousand, two hundred fifty-six dollars and thirty-seven cents, during the past 15 years.

ADDITIONAL STATEMENTS

THE NEW ECONOMY

• Mr. HOLLINGS. Mr. President, Ken Lipper, the CEO of Lipper & Company investment firm, is a man of many talents. Ken is a novelist, a film producer and one of the most profound thinkers with respect to the new economy. In a February speech at the University of California Technology Conference, he outlined the strategies we must employ to address today's economic problems. Although he delivered the speech seven months ago, it is still valid. I ask that the text of the speech be printed in the RECORD.

The text of the speech follows.

REMARKS OF KEN LIPPER

As of February 2000, the United States is in the 107th month of an economic boom, the longest in history. Even as this economic expansion continues, observers have been amazed that inflation remains a low 2.5 percent. Ordinarily, at the stage of "full employment" we are now enjoying—unemployment is at 4 percent, and is projected at 3.8 percent for the year 2000, with nearly 90 percent capacity utilization—there would be serious labor shortages and rising prices. As a result, the Federal Reserve would intervene to raise interest rates and tighten the money supply, causing the expansion to fizzle.

Why is this boom different? Currently there is an excess world capacity in basic manufacturing of goods and commodities, due in part to the Asian collapse combined with high unemployment and relatively slow growth in Europe. More important is the unprecedented and uninterrupted level of U.S. capital investment. Productivity has been increasing at historically high levels, an average of 2.5 percent each year, so that with a 3.2 percent annual wage increase, there is a real standard of living increase for workers without significantly increasing unit labor costs.

In addition, the amount and efficiency of capital behind each worker has increased. For example, in 2000, manufacturers expect to increase revenues 7.7 percent with only a 0.5 percent increase in their labor force; non-manufacturing sectors will increase revenues 6.9 percent with only a 1.4 percent labor force increase. These gains are possible thanks to a high level of investment in plant and equipment, which was up 21 percent in 1999 and is expected to rise another 15 percent in 2000. In non-manufacturing sectors, investment was up 4.7 percent in 1999 and expected to rise 8.7 percent in 2000. And this increased investment continues because a high consumer confidence level—now at an index of 144, compared to an average of 115—encourages corporations to expect growth in consumption.

Another factor keeping inflation low is heightened competition, both domestic and, thanks to free trade, foreign. The strong dollar magnifies the effect of this competition, translating into cheaper prices for imported goods. And buyers can also now compare prices by B–B commerce. As a result, 81 percent of manufacturers and 67 percent of non-manufacturers report that they cannot pass along price increases to consumers. At the same time, low interest rates worldwide and the buoyant U.S. stock market have made for cheap capital availability, enabling the investments in productivity. The strong dollar and stock market have made up for the low U.S. savings rate—among the lowest in the world—by encouraging record levels of foreign investment, year in, year out.

Finally, the cost of investment capital has been held down because the U.S. government budget surplus takes the U.S. out of the bond market as an issuer competitive with businesses; indeed, the U.S. is now buying back old bonds and liquefying the market. U.S. and European municipalities are also borrowing much less worldwide. These trends force investment funds to be reallocated to the private sector, lowering the cost of capital.

These are the reasons why some people feel that the old economic paradigm the boom-to-bust cycle, is outmoded. But we have not repealed the business cycle; we have only added significant time to the boom equation. Ultimately, the laws of supply and demand will still have their impact.

The risks to our economy are apparent, and rising. The Asian economies are recovering. In Europe, unemployment is falling and the pace of economic growth is rising, while the Euro is beginning to take hold and compete for funds. This means that over time there could be no cheap imports to hold down inflation. These factors have expressed themselves already, in conjunction with rocketing U.S. consumption, huge oil price increases, an end to the decline in raw materials prices, and rising intermediate-product prices. And these pressures occur as a dwindling supply of new entrants to the U.S. labor force will begin to push up wages.

Aggregate U.S. profit margins decreased in 1999, because companies lacked pricing power. But as Asian and European economic recoveries absorb excess worldwide capacity, corporations will regain their pricing power to restore profit margins and pass on increasing costs.

The Federal Reserve is already intervening, and will continue to raise interest rates. Many have asked why these interventions are necessary when there is no current sign of rising inflation. One reason is that the Fed's actions generally take about 18 months to filter through the economy. But there are other justifications.

The first is labor. We have seen how labor has been able to get real standard of living increases without large wage increases, due to low inflation. But if labor anticipates inflation from the causes discussed above, it will build protective wage increases into multi-year settlements, in order to hedge its potential loss of buying power. This would accelerate the wage-price spiral that itself fuels further inflation. Thus the Federal Reserve is signaling labor of its determination to fight inflation.

Second, the Fed is also signaling Congress not to cut taxes or increase programs using the budget surplus, thus putting further pressure on available resources. The Fed's moves seem to indicate that it wants the national debt repaid and Social Security and Medicare funded.

Third, the Fed wants to dampen consumption due to the "wealth effect," the stock market gains which are responsible for about 25 percent of the growth in U.S. GDP. Currently, over 50 percent of American households own stocks, with increasing numbers borrowing to carry them. People are spending based on presumed wealth from the stock market, a major difference from the time when consumption was directly linked to more predictable earned income.

Nobody knows how fast or how steep a fall in the stock market might be, given high debt levels, but consumption would certainly be affected. When the Japanese bubble burst, the stock market never recovered from its 50 percent loss, and no government program has succeeded in reviving the shocked Japanese consumer.

Fourth is the housing market. I expect housing starts to decline by 6 to 8 percent in the second half of 2000 due to rising mortgage rates, which will also affect existing housing prices. At a time of historically minuscule savings rates, how will the stock market investor and consumer react when both his storehouses of wealth—stock and homes—start to fall?

I expect that stock prices will recover during the first quarter and perhaps the first half of 2000, as profits reflect the high productivity investments already made and consumption continues unabated. But the risks touched on above will become increasingly evident, and the second half should begin to anticipate and express them in declining stock prices in the U.S. And the Federal Reserve will continue to increase interest rates.

Nobody can reliably predict when a stock boom will end. But this one seems to operate in an atmosphere of growing threat, and from lofty heights. NASDAQ has an unprecedented 178X multiple, which might be justified for a few companies but cannot be sustained for an aggregate, 4,700 entities. So how will it end?

Probably very suddenly, as other bubbles have burst; and they often take years to recover. On May 4, 1990, Christie's Evening